

Council Tax Support Scheme 2025/26

Report of the Head of Finance and Revenues

Recommended:

1. That the Overview and Scrutiny Committee consider feedback from the Member Panel relating to a review of potential options to amend the Council's Council Tax Support scheme for 2025/26, including consideration of a suitable capital limit to recommend for the new scheme.
2. That the Committee endorse and recommend to Cabinet the recommendations of the panel; that a draft Council Tax Support Scheme for 2025/26, based on Model 3 (para 3.10) and the principles set out in section 4 of the report, be put to public consultation.

SUMMARY:

The report sets out Member Panel feedback and their recommended principles for a proposed Council Tax Support scheme for adoption in 2025/26.

1 Introduction

- 1.1 The Council is required to have a Council Tax Support (CTS) scheme to assist residents with their liability to pay Council Tax. The scheme must meet the prescribed requirements published by central government for pension-age residents. Since 2013, the Council has had significant control over the design of what is now a local scheme in respect of working-age residents.
- 1.2 At the Overview and Scrutiny Committee meeting in February 2024, it was agreed that a Member Panel would be set up to review options for a CTS scheme from 2025/26.
- 1.3 A Panel was formed, comprising Cllrs Burnage, Cattell, Dunleavy and Matthews, led by Cllr MacDonald. Between March and June, the Panel reviewed the current CTS scheme, considered drivers for change, and agreed some recommended principles which fed into the design of three CTS models.

2 Current CTS Scheme and Drivers for Change

Current CTS Scheme

- 2.1 The current CTS scheme for working-age residents broadly follows the central government designed Council Tax Benefit scheme which was in place prior to 2013. The scheme is complex for customers to understand and requires significant officer resource to input the details into a specialist software system for the assessment and calculation of the following:

- Household composition and assessment of the household's 'applicable amount' (a standard national figure which the government believes reflects the basic living needs of an individual). There are rules around who is and is not considered a member of the household for this purpose, and the applicable amount is based on age and family make-up, with additional premiums for those in receipt of qualifying disability benefits.
- Household income. Earned and unearned income is assessed differently. Different types of income may be disregarded in part (based on household composition, number of hours worked per week, and disability or lone-parent status) or in full (for child benefit and qualifying disability benefits).
- Household capital. Different forms of capital are assessed differently and some capital may be disregarded, either permanently or for a period of time, or can be converted to income for the purpose of the CTS assessment.
- The applicable amount is compared to income to calculate entitlement to CTS. Maximum entitlement is given to those with income equal to or below their applicable amount. A tapered award is given to those with excess income.
- Maximum CTS entitlement is capped at 90% of the claimant's Council Tax bill for most working-age claimants. There is no cap for those who meet qualifying vulnerability criteria (those in receipt of the limited capability for work element of Universal Credit, or the support component of Employment Support Allowance).
- Non-dependent deductions. Support is reduced where there are non-dependent adults (e.g. grown-up children or elderly parents) living in the household.
- Claimants must report changes in their circumstances so CTS may be reassessed. To prevent weekly or monthly recalculations in CTS, where there is a change in income of less than £30 per week, there is no change to CTS entitlement until such time as any further changes cumulatively amount to £30 per week or more.
- Entitlement to CTS usually starts from the Monday following the date that an application is made; likewise, changes in CTS awards as a result of changes in household circumstances/income usually take effect from the Monday following the date of the change.

Drivers for Change

- 2.2 Change of income is often reported monthly for claimants who are employed or in receipt of Universal Credit. For each change in income, the current scheme requires a reassessment of entitlement. Where a change affects the amount of CTS entitlement, the Council Tax account is recalculated and instalments are amended.

- 2.3 Due to the requirements in the notice period we must give customers to changes in instalments for Council Tax, regular reassessments can cause difficulty in collection of amounts owed, in effect delaying the date that payments are due and potentially shortening the amount of time households have to pay, depending on the months remaining in the financial year. This can also be confusing for customers to understand with regularly changing bills.
- 2.4 There is an opportunity to simplify the CTS scheme with an objective of making the calculation easier to understand and requiring fewer changes to bills to be processed.
- 2.5 A further factor affecting CTS is whether the claimant is on Housing Benefit or Universal Credit (UC). The current CTS scheme is similar to Housing Benefit, so both schemes are administered at the same time by the same team. As more of the Housing Benefit caseload transfers across to UC, there is more scope (and benefit) in introducing a simpler CTS scheme. In December 2023, the government set out plans to take forward the managed migration of households in receipt of Housing Benefit across to UC throughout the 2024/25 financial year. This makes the timing of changes to the CTS scheme relevant for consideration at this time.
- 2.6 The Corporate Plan sets out how we want to help our communities to thrive. A clearer, more easily understood scheme would support this goal and could help our residents manage their finances and financial welfare more effectively. It would also make it easier for residents to apply for what they are entitled to and know in advance what their discount is likely to be.

3 Feedback from Member Panel

- 3.1 In the first panel meeting, Members were presented with a detailed overview of the current CTS scheme and the challenges that residents and officers face in claiming and administering the scheme due to its complexity. Members also reviewed a variety of options that could simplify the scheme, along with the advantages and disadvantages of each. A summary of these options is set out in Annex 1. Members agreed to explore options for an income-banded scheme as this most closely met objectives for scheme simplification.
- 3.2 In subsequent meetings, Members examined key aspects of our current scheme and agreed some principles around mirroring Universal Credit rules where appropriate; this was due to the continued rollout of Universal Credit as the predominant welfare benefit across the country, and to allow consistency in the treatment of residents in and out of work. Consideration was also given to schemes administered by neighbouring Councils in Hampshire, and to schemes administered more widely by Councils with similar demographics to Test Valley Borough Council.
- 3.3 Members were keen to explore options which would keep the number of households losing out on support under any new scheme to a minimum, whilst keeping the cost of the scheme as close as possible to current expenditure (allowing for the estimated uplift in caseload for 2025/26).

3.4 Officers engaged an external consultant, Policy in Practice, to undertake modelling work to forecast the potential cost of any new scheme and the effects it would have on the caseload, including the identification of how many households' entitlement would increase or decrease as a result of a new scheme being implemented.

3.5 In May 2024, two income-banded CTS models were prepared at the request of the Member Panel. Model 1 offered a maximum discount of 100%. Model 2 offered a discount capped at 90% (with protection for vulnerable households, where the claimant or partner is in receipt of the limited capacity for work element of Universal Credit or the support component of Employment Support Allowance).

3.6 Model 1

Model 1 Weekly Net Earnings Bands							
Band	% Support	Single no children	Couple no children	Single with 1 child	Couple with 1 child	Single with 2+ children	Couple with 2+ children
1	100%	£0-£90	£0-£140	£0-£140	£0-£190	£0-£190	£0-£240
2	80%	£91-£130	£141-£180	£141-£180	£191-£230	£191-£230	£241-£280
3	60%	£131-£155	£181-£205	£181-£205	£231-£255	£231-£255	£281-£305
4	40%	£156-£180	£206-£230	£206-£230	£256-£280	£256-£280	£306-£330
5	20%	£181-£205	£231-£255	£231-£255	£281-£305	£281-£305	£331-£355

- 92.74% of our caseload (2,253 households) currently in receipt of CTS would receive maximum support under Band 1 of this scheme.
- 22.3% (590 households) currently in receipt of CTS would see an increase in their entitlement by £5 per week or more.
- 2.27% (60 households) currently in receipt of CTS would lose support altogether.
- It is estimated that this cost of this scheme will be £6,379,431 in 2025/26. This is an increase of £243,043 (or 3.96%) compared to our current scheme cost (uplifted for estimated 2025/26 caseload). The Council's share of this cost is approximately £24,300.

3.7 Model 2

Model 2 Weekly Net Earnings Bands							
Band	% Support	Single No Children	Couple No Children	Single 1 Child	Couple 1 Child	Single 2+ Children	Couple 2+ Children
1	100%	Band 1 is for protected groups with no household earnings only					
2	90%	£0-£110	£0-£160	£0-£160	£0-£210	£0-£210	£0-£260
3	70%	£111-£140	£161-£190	£161-£190	£211-£240	£211-£240	£261-£290
4	50%	£141-£170	£191-£220	£191-£220	£241-£270	£241-£270	£291-£320
5	30%	£171-£200	£221-£250	£221-£250	£271-£300	£271-£300	£321-£350

- 93.3% of our caseload (2,468 households) currently in receipt of CTS would receive maximum support under Bands 1 and 2 of this scheme.
- 13.2% (350 households) currently in receipt of CTS would see an increase in their entitlement by £5 per week or more.
- 2.8% (74 households) currently in receipt of CTS would lose support altogether.
- It is estimated that this cost of this scheme will be £6,180,529 in 2025/26. This is an increase of £44,141 (or 0.72%) compared to our current scheme cost (uplifted for estimated 2025/26 caseload). The Council's share of this cost is approximately £4,400.

3.8 Members reviewed these models carefully and considered the impact on households, both where the level of support would increase and decrease in comparison to the current scheme. Model 2 was favoured as it encouraged residents to contribute towards local services whilst protecting the most vulnerable households. However, concerns were raised regarding the number of households losing out on support altogether.

3.9 In June 2024, the Member Panel sought refinements to Model 2 in order to reduce the number of households losing out on support. A sixth income band with a higher earnings threshold (based on the median income for each class of person losing support) and a 10% support rate was added in order to minimise the number of households losing out on support.

3.10 Model 3

Model 3 Weekly Net Earnings Bands							
Band	% Support	Single No Children	Couple No Children	Single 1 Child	Couple 1 Child	Single 2+ Children	Couple 2+ Children
1	100%	Band 1 is for protected groups with no household earnings only					
2	90%	£0-£110	£0-£160	£0-£160	£0-£210	£0-£210	£0-£260
3	70%	£111-£140	£161-£190	£161-£190	£211-£240	£211-£240	£261-£290
4	50%	£141-£170	£191-£220	£191-£220	£241-£270	£241-£270	£291-£320
5	30%	£171-£200	£221-£250	£221-£250	£271-£300	£271-£300	£321-£350
6	10%	£201-£360	£251-£410	£251-£410	£301-£460	£301-£460	£351-£510

- 92.33% of our caseload (2,442 households) currently in receipt of CTS would receive maximum support under Bands 1 and 2 of this scheme.
- 13.2% of households (350 households) currently in receipt of CTS would see an increase in their entitlement by £5 per week or more.
- 1.29% of households (34 households) currently in receipt of CTS would lose support altogether.
- It is estimated that this cost of this scheme will be £6,188,553 in 2025/26. This is an increase of £52,165 (or 0.85%) compared to our current scheme cost (uplifted for estimated 2025/26 caseload). The Council's share of this cost is approximately £5,200.

3.11 In reviewing Model 3, the Member Panel examined the reduced number of households who continued to lose support. The reasons for those households losing out on support altogether were identified as follows:

Households with capital above £6,000:	17
Introduction of minimum income floor for self-employed claimants (in line with Universal Credit)	13
Earned income exceeds Band 6 income range	3
Restriction to two-child limit (in line with Universal Credit)	1
Total	34

3.12 The Member Panel considered whether further refinement could be made to the income bands, but this was deemed unnecessary given the low number of households losing out of support as a direct result of earnings exceeding the Band 6 income range.

3.13 Consideration was given to how to support other households who would lose entitlement to CTS. It is recommended that a Section 13A reduction scheme be included in the proposed CTS scheme, allowing for discretionary awards of support to be made to those who suffer financial hardship (for example, as a result of transition from the old CTS scheme).

3.14 Consideration was given to increasing the capital limit at which CTS can be claimed from £6,000 to £16,000. OSCOM is invited to consider and agree rules regarding capital to be put to Cabinet for further consideration. This is considered in more detail in section 5 of the report.

4 Recommended CTS Scheme

4.1 The Member Panel has provided invaluable support to officers in preparing a simplified scheme which mitigates against the number of households who lose out on support and remains essentially cost neutral.

4.2 The following income-banded scheme (Model 3) and principles have been proposed by the Member Panel for consideration by the full committee:

Weekly Earnings Bands							
Band	Support	Single: No Children	Couple: No Children	Single: 1 Child	Couple: 1 Child	Single: 2 or more Children	Couple: 2 or more Children
1	100%	Band 1 is for protected groups *					
2	90%	£0 - £110	£0 - £160	£0 - £160	£0 - £210	£0 - £210	£0 - £260
3	70%	£111 - £140	£161 - £190	£161 - £190	£211 - £240	£211 - £240	£261 - £290
4	50%	£141 - £170	£191 - £220	£191 - £220	£241 - £270	£241 - £270	£291 - £320
5	30%	£171 - £200	£221 - £250	£221 - £250	£271 - £300	£271 - £300	£321 - £350
6	10%	£201 - £360	£251 - £410	£251 - £410	£301 - £460	£301 - £460	£351 - £510
* Where the claimant or partner have no earned income and are in receipt of the limited capability for work element of Universal Credit or the support component of Employment Support Allowance							

- The cost of the proposed CTS scheme will be as close to the cost of the current scheme as possible (uplifted to expected caseload in 2025/2026).
- An income-banded scheme has been proposed in order to meet the primary objectives (simplification of the scheme and reduction in monthly changes to claimants' Council Tax instalments).
- The lowest income band has been set at a greater breadth to offer protection to low-income households with fluctuating earnings (for example, zero-hour contracts). Higher income bands have been distributed evenly.

- A minimum of 10% contribution towards Council Tax to be made by all working households, except vulnerable households (those in receipt of the limited capability for work element of Universal Credit or the support component of Employment Support Allowance, where they have no earned income).
- Income to be used in the CTS calculation will comprise only earnings and tariff income (notional income generated from capital) in line with Universal Credit.
- No earning disregards will be made to income.
- For self-employed claimants, income will be calculated in accordance with Universal Credit rules (the “minimum income floor”, similar to National Living Wage/National Minimum Wage).
- No non-dependant deductions to be taken from CTS entitlement.
- The start date of CTS entitlement is to take effect from the date the application is received.
- Entitlement to CTS can be backdated by up to 6 months from the date of application, subject to continuous good cause for failure to claim earlier.
- A change in household circumstances is to take effect from the date of the change.
- Section 13A reduction scheme to be included in our CTS scheme, allowing for discretionary awards of CTS to be made to those who suffer financial hardship (for example, as a result of transition from the old CTS scheme).

4.3 It is recommended that a draft CTS scheme is produced based on these principles and put to Cabinet for further approval prior to the commencement of a public consultation exercise.

5 Capital Limit for claiming CTS

5.1 The Member Panel has considered two options for a capital limit:

- Lower capital limit of £6,000 and upper capital limit of £16,000: where the capital of the claimant (and any partner) totals between £6,000 and £15,999, a notional tariff income will be included alongside earnings in the CTS calculation; where the capital is £16,000 or above, there will be no entitlement to CTS.
- Absolute capital limit of £6,000: where the capital of the claimant (and any partner) totals £6,000 or more, there will be no entitlement to CTS.

5.2 The option for a lower limit of £6,000 and upper limit of £16,000 was used in the pre-2013 national Council Tax Benefit scheme, and in the Council’s local CTS scheme until March 2020. These capital limits are in line with current Universal Credit rules, allowing for consistency. However, the calculation of a notional tariff income (each £250 or part thereof above £6,000 generates a notional income of £1 per week) may be confusing to CTS claimants.

- 5.3 The option for an absolute capital limit of £6,000 is in line with the Council's current CTS scheme and was introduced in April 2020. This option avoids any confusion regarding tariff income but is inconsistent with Universal Credit principles. When introduced in April 2020, the absolute limit of £6,000 was based on the lower limit in the old Council Tax Benefit scheme from 1993.
- 5.4 It is recommended that OSCOM consider and agree a capital limit for households claiming Council Tax Support to be included in the draft scheme.

6 Consultations/Communications

- 6.1 Any material changes to the CTS scheme will require a minimum 8-week public consultation period. The timetable set out in the previous OSCOM report has been updated as follows:

21/08/2024	Cabinet - agree draft scheme to consult on
30/08/2024 to 27/10/2024	Consultation on possible options (minimum of 8 weeks)
Week commencing 28/10/2024	Review of consultation responses and update Equalities Impact Assessment (EQIA)
27/11/2024	OSCOM - present findings from consultation, EQIA, proposed new scheme and agree recommendations to Cabinet
From 28/11/2024	Finalise new scheme document
15/01/2025	Cabinet - recommend scheme to Council
29/01/2025	Council - approve final scheme
February 2025	Publicity of scheme
February / March 2025	System testing to ensure accuracy of billing

7 Legal Implications

- 7.1 Schedule 1A of the Local Government Finance Act 1992, when preparing or revising a CTS scheme the Council must (in the following order):
- consult the major precepting authorities
 - publish a draft scheme
 - consult such other persons as the Council considers are likely to have an interest in the operation of the scheme (such as CTS claimants and council taxpayers)
 - approve the scheme by no later than 11 March in the financial year preceding that for which the replacement scheme is to have effect
 - publish the approved scheme

8 Conclusion

- 8.1 The current CTS scheme has been in place since 2019. The report presents Member Panel feedback and their agreed principles for a proposed Council Tax Support scheme for consideration by OSCOM.

<u>Background Papers (Local Government Act 1972 Section 100D)</u> None			
<u>Confidentiality</u> It is considered that this report does not contain exempt information within the meaning of Schedule 12A of the Local Government Act 1972, as amended, and can be made public.			
No of Annexes:	1		
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